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SUBJECT: PONDICHERRY: CONGRESS RETAINS POWER WITH DMK  
ASSISTANCE

¶1. (SBU) SUMMARY: Congress Chief Minister N. Rangasamy returned to power in the Union Territory of Pondicherry, forming a minority government with the external support of the DMK and other allies. A cluster of four former French enclaves in South India with a total population of one million, Pondicherry, despite its small size, received much attention from the Congress central leadership during the campaign.  
END SUMMARY

¶2. (SBU) The Union Territory (UT) of Pondicherry is a group of four former French colonies in South India with a total population of one million. Two of the four enclaves, including the UT capital, Pondicherry town, are located inside Tamil Nadu while the other two are in Kerala (Mahe) and Andhra Pradesh (Yanam). As the name indicates, Pondicherry is not a full-fledged state but one in which the Union Government retains more administrative powers.

¶3. (SBU) Political alliances of Pondicherry usually resemble those of Tamil Nadu but with a major difference: here the Congress party has the upper hand over the Dravidian parties. In the May elections, the Congress won 10 seats in the 30-member Territorial Assembly. Among its allies, the DMK won 7, the PMK 2 and the CPI 1. On the opposition side, the AIADMK won 3, the MDMK 1 and the Pudussery Munnetra Congress (PMC), a Congress splinter faction, 3 seats. Since the Congress alone does not have majority in the Pondicherry assembly, the DMK and the other allies give external support to the minority Congress government. Party leaders consider it quid-pro-quo for the similar support the DMK receives in Tamil Nadu from the Congress party.

¶4. (SBU) N. Rangasamy, born 1950, was sworn in Chief Minister on May 18. A veteran Congress politician and a bachelor, he enjoys much grassroots support due to his unassuming manner and accessibility. Post's business contacts, however, believe Rangasamy is not dynamic enough to spur economic growth. Despite its small size and small economy (Gross State Domestic Product approx. \$1 billion), Pondicherry had succeeded in attracting investments from companies such as IBM, Acer, HCL, Wipro, Whirlpool, Hindustan Lever, Larsen and Tubro, MRF, Chemfab, Berger, and Henkel. Business leaders believe that under efficient administration, Pondicherry has the potential to grow further due to its proximity to Chennai and the growing south Indian market.

15. (SBU) COMMENT: Congress President Sonia Gandhi's April 25 campaign stop in Pondicherry indicated the importance the party attached to winning the UT despite its small size: it counts as one state where Congress remains in power. The 80 percent polling recorded in Pondicherry indicated the intensity of the campaign. With the election now over, it is doubtful if Pondicherry will continue to receive such attention from the Center, attention that might help it develop its economy. END COMMENT.

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